

LABOR

0559 Secretary for Labor and Workforce Development Agency

The secretary is a new cabinet-level appointment authorized by SB 1236, and effective January 1, 2003. The secretary will be responsible for coordinating and enforcing labor law in the state. The new Workforce Development Agency includes the Employment Development Department, Department of Industrial Relations, Workforce Investment Board, and the Agricultural Labor Relations Board.

The budget proposes an appropriation of \$2.3 million for the first full year of the agency. The agency has 16 personnel years.

Issue

Update on Start-Up. The agency began functioning under the terms of the Governor Reorganization Plan Number 1 (2002) on July 2, 2002. As such, the Secretary and his staff will have had some experience running the agency. The subcommittee may wish to pursue these questions:

- All new agencies experience transition difficulties in their first year, even if there is not a major deficit and hiring freeze imposed. What difficulties has the agency had during its start up? Will it need changes to its statutory authority?
- The agency has specific statutory duties. What are the agency's plans for meeting the statutory duties? Does the agency have goals for meeting its statutory responsibilities? How will it know if it is successful in meeting its statutory duties?

7100 Employment Development Department

The Employment Development Department (EDD) links employers and job seekers. The department provides services through four main functions: (1) employment-related services; (2) tax collections and benefit payments; (3) employment training programs; and (4) Workforce Investment Act activities. The Governor proposes a budget of \$10.6 billion (\$21.5 million General Fund), an increase of 17.9 percent over the current year.

Summary of Expenditures (dollars in thousands)	2002-03	2003-04	\$ Change	% Change
General Fund	\$22,898	\$21,550	-\$1,348	-5.8
EDD Contingent Fund	18,751	17,888	-863	-4.6
Employment Training Fund	83,867	75,313	8,554	-10.1
Welfare to Work Fund-Federal	3,608	0	-3,608	-100.0
Disability Fund	3,472,701	3,590,935	118,234	3.4
Consolidated Work Program Fund	631,931	582,166	-49,765	-7.8
Unemployment Administration-Federal	618,659	602,316	-16,343	-2.6
Unemployment Fund-Federal	7,998,753	5,662,509	-2,336,244	-29.2
School Employees Fund	84,416	57,560	-26,856	-31.8
Reimbursements	24,928	25,040	112	.4
Total	\$12,960,512	\$10,635,277	-\$2,325,235	-17.9

Employment Related Services. The program facilitates a match between employers' needs and job seekers skills. Services are delivered through California's One-Stop Career Systems.

Highlights

- **Data Collection.** The budget directs the department to consult with researchers, employers groups, labor organizations and other state agencies on the feasibility of collecting additional data from employers. The department will report to the Legislature by December 31, 2003. The department also will assess and report on the capability of and cost of enhancements for the current database system, cost of revising forms and/or questionnaires, personnel costs for collection and inputting the data, and additional time required to collect, input and process the additional data collected.
- **Continuation of Reed Act Funds for the Job Service Program.** The budget continues \$25.1 million in federal Reed Act funds in 2003-04 for the Job Services Program. In 2002-03, these funds were reduced from EDD's Contingent Fund and were replaced by Reed Act funds.
- **Continuation of Reed Act Funding for Unemployment Insurance Administration.** The budget appropriates \$15.4 million in Reed Act funds to replace the discontinued Special Reed Act distributions formerly used to augment federal Unemployment Insurance funding.
- **Trade Adjustment Assistance (TAA).** The budget proposes \$17,049,000 (Unemployment Administration Fund) and the establishment of 27.4 personnel years (temporary help). The additional funds would help the department to access full federal TAA funding.
- **Restoration of State Funding for Benefit Audit Fund.** The budget appropriates \$9.3 million (Reed Act funds) to fund benefit audit activities. A one-time Reed Act appropriation was used for this purpose in the current year in 2002-03.

Tax Collection and Benefits. EDD administers this program to form monetary relief to individuals who undergo periods of unemployment or temporarily disability. This program contains two systems; the Unemployment Insurance (UI) program and the Disability Insurance (DI) program. These systems are based upon insurance principles, with the employer and employee paying tax contributions to funds that

provide benefits. The system includes the following activities: collecting taxes, determining benefit eligibility based upon claims, managing caseloads, processing payments to claimants recovering overpayments, and disputes involving claims or tax liabilities.

Employment Training Programs. EDD administers the Employment Training Tax from employers who participate in the Unemployment Insurance system, and uses the funds in performance-based contracts to provide training to unemployed workers in high-wage, high-skill jobs, and to retrain incumbent workers in businesses challenged by out-of-state competition. EDD administers federal Welfare to Work funds from the Department of Labor, providing transitional assistance for recipients of CalWORKs. EDD coordinates the Workforce Investment Act, which provides federal funds for Adult Employment and Training, Youth Activities and Dislocated Workers Employment and Training. The majority of these funds are administered through local Workforce Investment Agencies; up to 15% is reserved for discretionary projects at the statewide level.

Highlights

- **Employment Training Fund.** The budget includes an unallocated reduction of \$612,000 and 11.0 personnel years .
- **Workforce Investment Act (WIA).** The budget proposes to fund through three programs: Adult Employment and Training, Youth Activities, and Dislocated Workers Employment and Training. Adult Employment and Training provides universal core services to all adults, plus training and other services to economically disadvantaged adults facing serious barriers to employment. Youth Activities provide economically disadvantaged youth with training and other services to prepare them with the skills necessary to obtain unsubsidized employment, completion of secondary or post-secondary education, entrance to military services or qualified apprenticeship. Dislocated Workers Employment and Training provide rapid response services to workers affected by plant closures and layoffs and provides training and other services.

7120 State Workforce Investment Board

The Workforce Investment Board directs the implementation of the Workforce Investment Act. The Board assists the Governor with developing and modifying the five-year Workforce Investment Plan, designating Local Workforce Investment Areas, establishing Local Workforce Investment Boards, reviewing Local Workforce Investment Areas Plans, providing oversight of local workforce education and training programs, and negotiating performance standards with the Department of Labor.

7300 Agricultural Labor Relations Board

The Agriculture Labor Relations Board (ALRB) collects secret ballot elections to determine collective bargaining representation in agriculture and for investigating and resolving unfair labor practice disputes. The ALRB is divided into two major programs: (1) Board Administration of the Agricultural labor Relations Act; and (2) General Counsel Administration of the Agricultural Labor Relation Act. Recent legislation, Senate Bill 1156 and Assembly Bill 2596, add the Agricultural Employer-Employee Collective Bargaining and Mediation Law to the Labor Code effective January 2003. The legislation requires the board to mediate certain collective bargaining agreements.

Issue

The budget provides no increased funding to implement SB 1156 and AB 2596. Can the board implement the legislation within its existing resources?

7350 Department of Industrial Relations

The Department of Industrial Relations (DIR) is intended to protect the workforce, improve working conditions, and advance opportunities for profitable employment. The department has three major programs: The adjudication of workers' compensation disputes, the prevention of industrial injuries and deaths and the enforcement of laws relating to wages, hours and working conditions.

Summary of Expenditures				
(dollars in thousands)	2002-03	2003-04	\$ Change	% Change
General Fund	\$125,097	\$63,278	-\$61,819	-49%
Special Funds	81,890	77,489	4,401	18
Workers' Compensation Administration Fund	45,689	103,702	58,013	127
Total	\$252,676	\$244,469	-\$124,233	-31%

Highlights

- **Implementation of AB 749.** AB 749 increases workers' compensation benefits and requires reforms in the administration of the program. DIR seeks a budget augmentation of \$9.3 million to implement the provisions of AB 749.
- **Increase User Fees for Workers' Compensation Program.** The budget eliminates General Fund support for the Workers' Compensation Division, for a General Fund savings of \$24.6 million in 2002-03 and \$73.7 million in 2003-04. The General Fund support is replaced with revenue from a fee imposed on employers. To implement this provision, the Administration proposes a statutory law change to increase the fees.

Issues

"User Fee" Could Be Controversial. The Administration proposes a significant increase in the fee imposed on employers for the workers' compensation program. The proposal would raise employer costs by \$24 million (half year) in the current year and \$70 million in the budget year. The fee proposal was introduced in the First Extraordinary Session, as SB 10x, but was not taken up when the Senate considered the December Revision. If the fee increase is not approved but the Legislature does not augment the budget with General Fund money, what will the department do to close the \$70 million hole in its workers' compensation division?

AB 749 Implementation. The Legislature augmented the department's budget last year to begin the implementation of the bill. Although the Governor vetoed aspects of the augmentations, he did agree to begin implementation. As a result of the veto, certain aspects of the implementation of AB 749 were deferred until 2003-04. Now, however, because the December Revision deferred the start-up of AB 749 in the current year, it is not clear what aspects of the AB 749 mandates can be implemented in the budget

year. For example, where there policy and fiscal implications of deferring implementation for another year? Can the Legislature do anything in the budget year to expedite full implementation in the budget year?

